



MARYLAND COUNCIL OF CHAPTERS

Harvey T. Kaplan, MMC Director for Maryland MOAA

January 26, 2020

Senator Guy J. Guzzone, Chair
Senate Budget and Taxation Committee, Maryland General Assembly
Miller Senate Office Building, 3 West Wing, 11 Bladen Street
Annapolis, Maryland 21401-1991

Dear Senator Guzzone and Members of the Committee,

For the past 21 years Maryland's Veterans have supported the revenue-producing approach of elimination of taxes on Uniformed Services Retired Pay for retirees living in our State. SB 279 is a bipartisan piece of legislation supported by our 16 Maryland Military Coalition (MMC) organizations and a large segment of the 460,000-member Veterans community in Maryland. It is imperative that it be implemented in 2020 during a period of monumental economic competition for highly technical and experienced military retirees in our geographic area. Maryland is becoming a cyber and technical center of excellence urgently requiring the intellectual capital of military retirees to work in Maryland's Defense-related industry and in other areas where their skills, highly valued knowledge, and security clearances are critically essential. As explained most effectively in the recent General Assembly-directed research study by Towson University, implementation unquestionably will generate millions of dollars in State revenue monthly once the provisions of SB 279 are fully implemented. For details, see the Oct. 7, 2019 Towson University Regional Economic Studies Institute [RESI] document: [A Study of Employment in the State's Defense Industry](https://commerce.maryland.gov/Documents/Research/Document/employment-in-maryland-defense-study-HB-1542-2019.pdf). Link to the study: commerce.maryland.gov/Documents/Research/Document/employment-in-maryland-defense-study-HB-1542-2019.pdf

The 10 Maryland Chapters of MOAA with members in all Districts in the State strongly urge the Maryland Senate's Budget and Taxation Committee to move our State forward on this truly meaningful economic initiative. Kindly let me know if there is anything our Council or I can provide to further explain details in the Towson University study and/or how this supports all the citizens of Maryland.

In past years the Committee has argued that there are insufficient dollars to implement this type of legislation—even though the cited study forecasts longer-range economic benefits for the State. However, this year the required dollars already are in the Governor's Budget. We should use them for the purpose for which they are identified, and thereby generate millions of dollars in revenue for Maryland in future years—as explained clearly and most meticulously in the Towson University study.

The MOAA Maryland Council has furnished all members of the General Assembly with a new Fact Sheet on this issue. I hope that you and your staff will review it as a document relevant to your own Committee's assigned bills this session.

Sincerely,

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UPDATED JANUARY 2020 LISTINGS

The 50 States and Uniformed Services Retired Pay

A FACT SHEET OF THE MILITARY OFFICERS ASSOCIATION

As of January 1, 2020, 31 of the 50 states do not tax military retirement pay, and that figure includes the 9 states, marked with asterisks below (*), without any personal income tax:

Alabama	Mississippi
Alaska *	Missouri
Arkansas	Nevada *
Connecticut	New Hampshire *
Hawaii	New Jersey
Illinois	New York
Iowa	North Dakota (based on April 2019 law)
Florida *	Ohio (now fully implemented)
Indiana (based on August 2019 law)	Pennsylvania
Kansas	South Dakota*
Louisiana	Tennessee*
Maine	Texas*
Massachusetts	West Virginia
Michigan	Washington*
Minnesota	Wisconsin and Wyoming* [cont'd on page 2]

12 states currently tax a portion of a retiree's annual Retired Pay and, in the interest of brevity, only a short explanation of key special provisions is included here (consult individual state tax codes for full details):

Arizona – Some small exclusions apply.

Colorado – Adjustments vary by age of retiree, up to a \$24,000 exemption.

Delaware – Some age-based exclusions apply.

Georgia –Income is adjusted up to \$35,000 over age 62 and \$65,000 at age 65.

Idaho –Maximum deductions vary annually, based on age.

Kentucky –Retirees prior to 1997 are 100% exempt; later retirees have an exemption up to \$41,000.

Maryland: Current Status – It is noted that the Subtraction from Maryland Income is **not a tax exemption**; it is limited to \$5,000 below age 55, and then \$15,000 for retirees over the age of 55. Family economic considerations also reveal that the Maryland Pension Exclusion, \$30,600 for the most recent tax return, severely limits the financial attractiveness of the State long-term for many retirees evaluating second career location options in Maryland. These factors often encourage them to work in Maryland during their second career employment but live outside the State—while commuting to attractive high-paying jobs in nearby Maryland. For a substantive and comprehensive explanation, consult the Oct. 7, 2019 Towson University Regional Economic Studies Institute [RESI] document: **A Study of Employment in the State's Defense Industry**: commerce.maryland.gov/Documents/ResearchDocument/employment-in-maryland-defense-study-HB-1542-2019.pdf [Use “Forms Identification” or cut/paste link.]

Nebraska – Two Options: 7 years exemption at 40% or retired pay 15% lifetime exemption at age 67.

North Carolina – The year retired is the basis for State range: \$0 to \$4,000 (\$8,000 for joint returns).

Oklahoma –Exemption is the greater of: 75% or \$10,000.

Oregon –“Federal Pension Subtraction” applies, except for “special case” residents of the state.

South Carolina –Exemption is \$3,000 and it increases to \$10,000 over the age of 65.

Only the following 7 states fully tax Uniformed Services Retired Pay:

California, Montana, New Mexico, Rhode Island, Utah, Vermont, and Virginia—Worthy of note is the fact that in neighboring Virginia income tax % rates across wage brackets are consistently and substantially lower than in Maryland.

The details of tax codes vary substantially among the states, and are subject to change. Taxpayers are urged to consult with tax professionals, as appropriate.

[Latest MOAA Update based on December 2019 Data: 26 January2020]